Financial statements 2006

SaskPower
Shand Greenhouse

Report of management

The financial statements of Power Greenhouses Inc. (SaskPower Shand Greenhouse) are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles, applied on a basis consistent with that of the preceding year. The preparation of financial statements necessarily involves the use of estimates based on management's best judgement, particularly when transactions affecting the current period cannot be finalized with certainty until future periods. In management's opinion, the financial statements have been properly prepared within the framework of selected accounting policies summarized in the financial statements and incorporate, within reasonable limits of materiality, information available up to January 10, 2007.

Management maintains appropriate systems of internal control which provide reasonable assurance that the Corporation's assets are safeguarded and appropriately accounted for, that financial records are relevant, reliable and accurate and that transactions are executed in accordance with management's authorization. This system includes corporate-wide policies and procedures and appropriate delegation of authority and segregation of responsibilities within the organization.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. At regular meetings the Board of Directors reviews audit, internal control and financial reporting matters with management and the external auditors to satisfy itself that each is properly discharging its responsibilities. The financial statements and the external auditors' report have been approved by the Board of Directors. The external auditors have full and open access to the Board of Directors, with and without the presence of management.

The financial statements have been examined by Meyers Norris Penny LLP, Chartered Accountants. The external auditors' responsibility is to express their opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The auditors' report, which follows, outlines the scope of their examination and sets forth their opinion.

On behalf of management,

Marty Lelliott
Manager
January 10, 2007

Auditors' report

To the Members of the Legislative Assembly of Saskatchewan

We have audited the statement of financial position of Power Greenhouses Inc. as at December 31, 2006, and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2006, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Meyers Norris Penny LLP

Chartered Accountants
Estevan, Saskatchewan
January 10, 2007

Statement of income and retained earnings

For the year ended December 31	2006	2005
Revenue		
Contract revenue earned (*Note 6*)	**$ 881,246**	$ 837,333
Expense		
Operating, maintenance and administration (*Note 8*)	**727,428**	688,388
Depreciation	**153,818**	148,945
Total expense	**881,246**	837,333
Net income	**–**	–
Retained earnings, beginning of year	**–**	–
Retained earnings, end of year	**$ –**	$ –

See accompanying notes

Statement of financial position

As at December 31	2006	2005
Assets		
Current assets		
Inventory	**$ 28,726**	$ 37,023
Prepaid expenses	**–**	35,199
	28,726	72,222
Property, plant and equipment *(Note 3)*		
Property, plant and equipment	**5,145,432**	5,171,625
Less: accumulated depreciation	**1,720,121**	1,620,830
	3,425,311	3,550,795
Construction in progress	**231,897**	174,537
	3,657,208	3,725,332
Total assets	**$ 3,685,934**	$ 3,797,554
Liabilities and equity		
Current liabilities		
Bank indebtedness	**$ 360**	$ 6,450
Accounts payable and accrued liabilities	**29,070**	30,212
	29,430	36,662
Due to SaskPower *(Note 4)*	**3,656,494**	3,760,882
Total liabilities	**3,685,924**	3,797,544
Equity		
Share capital *(Note 5)*	**10**	10
Retained earnings	**–**	–
Total equity	**10**	10
Total liabilities and equity	**$ 3,685,934**	$ 3,797,554

See accompanying notes

On behalf of the Board:

Kevin Scobie
Director

D. Packet
Director

Statement of cash flows

For the year ended December 31	2006	2005
Operating activities		
Net income	**$ –**	$ –
Add item not involving cash:		
Depreciation	**153,818**	148,945
Net change in non-cash working capital:		
Inventory	**8,297**	(11,928)
Prepaid expenses	**35,199**	(35,199)
Accounts payable and accrued liabilities	**(1,142)**	(40,383)
	42,354	(87,510)
Cash provided by operating activities	**196,172**	61,435
Investing activities		
Property, plant and equipment	**(85,694)**	(72,177)
Cash used in investing activities	**(85,694)**	(72,177)
Financing activities		
Repayment of due to SaskPower	**(104,388)**	(18,427)
Cash used in financing activities	**(104,388)**	(18,427)
Increase (decrease) in cash	**6,090**	(29,169)
(Bank indebtedness) cash, beginning of year	**(6,450)**	22,719
Bank indebtedness, end of year	**$ (360)**	$ (6,450)

Notes to the financial statements

As at December 31, 2006

1. Status of the Corporation

Power Greenhouses Inc. (the Corporation), a wholly-owned subsidiary of Saskatchewan Power Corporation (SaskPower), was incorporated pursuant to *The Business Corporations Act (Saskatchewan)*. Accordingly, the financial results of the Corporation are included in the consolidated financial statements of SaskPower.

The mandate of the Corporation is to operate a greenhouse to provide tree seedlings for the purpose of afforestation. The Corporation entered into an agreement with SaskPower, whereby it operates the greenhouse and in turn SaskPower funds the Corporation for costs incurred. As a subsidiary of a provincial Crown corporation, the Corporation is not subject to federal income tax, provincial income tax or federal large corporations tax.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following accounting policies are considered significant:

(a) Use of estimates

The timely preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Significant areas requiring the use of management estimates relate to the useful lives of assets for depreciation periods. Actual results could differ from those estimates, which may impact the actual results reported in future periods.

(b) Revenue recognition

Contract revenue earned is based on total expenses incurred during the year.

(c) Inventory

Inventory is valued at the lower of cost or net realizable value with the cost being determined on a first-in, first-out basis.

(d) Property, plant and equipment

Property, plant and equipment is recorded at cost. Assets under construction are recorded as construction in progress until they are operational and available for use, at which time they are transferred to property, plant and equipment. Depreciation is calculated on a straight-line basis over the estimated service life of the related asset as set out below:

Buildings	40 years
Equipment	7 years

(e) Asset impairment

The Corporation evaluates its property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. Factors which could indicate an impairment exists include significant changes in the Corporation's strategy or underperformance of assets relative to projected future operating results. An impairment is recognized when the carrying amount of an asset exceeds the undiscounted projected future net cash flows expected from its use and disposal. It is measured as the amount by which the carrying amount of the asset exceeds its fair value. As at December 31, 2006, the Corporation determined that there was no impairment of value to its long-lived assets and therefore no write down was required.

(f) Future accounting policy changes

In 2005, the Canadian Institute of Chartered Accountants (CICA) issued Section 1530, *Comprehensive Income*; Section 3251, *Equity*; Section 3855, *Financial Instruments – Recognition and Measurement*; and Section 3865, *Hedges*. The above guidance will apply for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2006. Implementing these new standards effective January 1, 2007, will have no effect on the financial statements of the Corporation.

3. Property, plant and equipment

	2006				2005
	Cost	**Accumulated depreciation**	**Construction in progress**	**Net book value**	Net book value
Buildings	**$ 4,761,524**	**$ 1,506,181**	**$ 231,897**	**$ 3,487,240**	$ 3,548,919
Equipment	**383,908**	**213,940**	**–**	**169,968**	176,413
	$ 5,145,432	**$ 1,720,121**	**$ 231,897**	**$ 3,657,208**	$ 3,725,332

4. Due to SaskPower

	2006	2005
Total advances to date	**$ 12,352,433**	$ 11,608,584
Less: total expenses incurred to date	**(8,695,939)**	(7,847,702)
	$ 3,656,494	$ 3,760,882

Amount owing to SaskPower is not secured, non-interest bearing with no fixed terms of repayment.

5. Share capital

	#	2006	2005
Authorized			
Unlimited Class A non-cumulative, voting common shares			
Issued			
Class A			
Issued and outstanding, beginning of year	**10**	**$ 10**	$ 10
Issued during the year for cash	**–**	**–**	–
Issued and outstanding, end of year	**10**	**$ 10**	$ 10

All shares are held by the parent corporation, SaskPower.

6. Related party transactions

The Corporation entered into an agreement with SaskPower, its parent, whereby it operates the greenhouse and in turn SaskPower funds the Corporation for costs incurred, which is reflected as contract revenue earned.

Also included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as related parties).

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms.

7. Comparative figures

Certain amounts for the prior year have been reclassified to conform with current year financial statement presentation.

8. Operating, maintenance and administration

	2006	2005
Advertising	**$ 48,581**	$ 22,376
Board indemnity	**22,155**	13,185
Contract labour	**68,513**	79,832
Materials and supplies	**52,401**	47,811
Miscellaneous	**4,402**	1,371
Office	**10,253**	13,584
Professional fees	**4,872**	4,855
Shipping	**8,949**	6,485
Telephone	**7,932**	7,915
Travel and training	**39,425**	25,324
Vehicle	**34,511**	48,204
Wages and employee benefits	**425,434**	417,446
	$ 727,428	$ 688,388

Power Greenhouses Inc.

P.O. Box 280 | Estevan, Saskatchewan

Canada S4A 2A3

saskpower.com